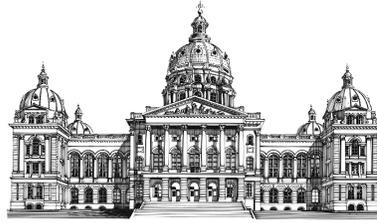


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# Iowa Legislative Fiscal Bureau

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## Statewide Indirect Cost Allocation Plan

### ISSUE

To provide background information on the Statewide Indirect Cost Allocation Plan.

### AFFECTED AGENCIES

State Agencies which receive non-General Funds.

### CODE AUTHORITY

Section 421.17(33)(a), Code of Iowa

### BACKGROUND

The costs of operating any program include direct program costs attributable to the program and the indirect costs allocated to the program. This *Issue Review* considers the procedure for allocation of indirect costs.

A program may incur indirect costs in more than one agency. The agency responsible for a program incurs indirect costs for services performed in support of the program, such as accounting staff costs. Additional costs to support programs are incurred by central agencies. These costs, including utilities and data processing, are also indirect costs of operating programs.

For example, office space and maintenance costs incurred by the Department of General Services on behalf of the Department of Human Services would be an indirect cost of operating the federal Medical Assistance Program and Aid to Families with Dependent Children Program.

The U.S. Office of Management and Budget has established procedures to allow states to recover direct and indirect costs from federal programs. States wishing to claim indirect costs as charges against federal programs are required to prepare an annual Statewide Cost Allocation Plan and to submit the plan to a designated federal agency for approval.

During the 1991 Legislative Session, the Iowa General Assembly passed SF 529 which required the Director of the Department of Revenue and Finance to develop a Statewide Indirect Cost Allocation Plan to bill all non-General Fund sources, such as the federal

government or the Road Use Tax Fund, for indirect costs previously paid from the General Fund. Dollars recovered for indirect costs are transferred to the General Fund and do not remain at the departmental level.

Per the guidelines established by the U.S. Office of Management and Budget, costs of general government, such as investment management, are not allowable for recovery by states' indirect cost allocation plans. However, the Department of Revenue and Finance has expanded the Statewide Indirect Cost Allocation Plan to allow non-General Fund, non-federal programs to be billed for additional State central services. For example, the Iowa Public Employees Retirement Program may be billed for budget services performed by the Department of Management.

**CURRENT SITUATION**

The federal government has designated the services which are eligible for indirect cost recovery. Allowable services include building space costs, preaudit and payroll services, warrant redemption and cash receipting, and records management.

As expanded, the Statewide Indirect Cost Allocation Plan incorporates additional services for indirect cost recovery. Although the federal government cannot be assessed, these additional services are assessed to other non-General Fund programs, such as the Road Use Tax Fund and the Iowa Public Employees Retirement System Fund. The additional services include accounting services, budget services, radio communications, and investment management.

The procedure for recouping indirect costs is coordinated by the Department of Revenue and Finance. The Department informs agencies of expenses associated with central services performed on behalf of the agency. Each agency then allocates the indirect costs to various funding sources based on the funding mix of the agency and notifies the Department of Revenue and Finance of the allocation. If the Department concurs that the estimate is reasonable, the amount agreed to will be recovered from various funds and placed into the General Fund through transfers.

As an example, assume the Department of Revenue and Finance identified \$100 of central services performed on behalf of an agency. If the agency's funding mix were 70.0% General Fund and 30.0% Other Funds, \$30 would be recoverable for indirect costs.

**BUDGET IMPACT**

The following table indicates the amount recouped for indirect costs during FY 1994 - FY 1996.

<b>Agency or Department</b>	<b>FY 1994 Actual</b>	<b>FY 1995 Actual</b>	<b>FY 1995 vs. FY 1994</b>	<b>FY 1996 as of 7/31/96</b>	<b>FY 1996 vs. FY 1995</b>

Agriculture	\$ 51,037	\$ 47,950	-6.0%	\$ 58,349	21.7%
Attorney General	10,612	11,582	9.1%	9,295	-19.7%
Blind Commission	47,891	33,008	-31.1%	30,615	-7.2%
Commerce	1,423	0	-100.0%	0	0.0%
Commerce - Banking	24,968	14,285	-42.8%	13,793	-3.4%
Commerce - Credit Unions	6,873	4,128	-39.9%	4,202	1.8%
Commerce - Insurance	120,147	0	-100.0%	0	0.0%
Commerce - Professional Licensing	20,572	12,709	-38.2%	12,320	-3.1%
Commerce- Utilities	62,803	5,205	-91.7%	0	-100.0%
Cultural Affairs	8,486	7,063	-16.8%	6,296	-10.9%
Cultural Affairs - Iowa Public Television	6,179	6,109	-1.1%	4,378	-28.3%
Defense - Disaster Services	52,206	0	-100.0%	17,958	100.0%
Economic Development	27,896	37,975	36.1%	0	-100.0%
Economic Development - Iowa Finance Authority	12,967	17,803	37.3%	19,163	7.6%
Education	76,562	52,729	-31.1%	60,232	14.2%
Elder Affairs	39,303	35,396	-9.9%	0	-100.0%
College Student Aid Commission	29,306	29,532	0.8%	26,530	-10.2%
Vocational Rehabilitation	66,500	0	-100.0%	0	0.0%
Employment Services	172,918	155,347	-10.2%	118,158	-23.9%
Health	26,287	0	-100.0%	41,659	100.0%
Human Rights	68,417	70,923	3.7%	52,068	-26.6%
Human Services	771,960	564,215	-26.9%	458,086	-18.8%
Inspections and Appeals	4,177	2,653	-36.5%	0	-100.0%
Management	900	972	8.0%	590	-39.3%
Natural Resources	402,823	73,241	-81.8%	75,733	3.4%
State-Federal Relations	13	0	-100.0%	49	48.6%
Substance Abuse	7,317	4,466	-39.0%	4,729	5.9%
Personnel	609	930	52.7%	781	-16.0%
Iowa Public Employees Retirement System	76,215	48,779	-36.0%	45,293	-7.1%
Public Safety	221,456	169,417	-23.5%	189,682	12.0%
Revenue and Finance	42,974	31,908	-25.8%	29,545	-7.4%
Revenue and Finance - Lottery	35,070	57,034	62.6%	56,098	-1.6%
Treasurer of State	488	186	-61.9%	171	-8.1%
Transportation	721,606	599,219	-17.0%	598,846	-0.1%
<b>Totals</b>	<b>\$ 3,218,961</b>	<b>\$ 2,094,764</b>	<b>-34.9%</b>	<b>\$ 1,934,619</b>	<b>-7.6%</b>

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